

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Bloomfield Township Public Library	County: Oakland
Audit Date March 31, 2004	Opinion Date April 26, 2004	Date Accountant Report Submitted To State: June 3, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48037-0307
Accountant Signature 			

Bloomfield Township Public Library

Financial Report

March 31, 2004

Bloomfield Township Public Library

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Independent Auditor's Report

To the Board of Directors
Bloomfield Township Public Library

We have audited the accompanying financial statements of Bloomfield Township Public Library (a component unit of the Charter Township of Bloomfield), including the Library's individual governmental funds, the Library as a Whole, and the budgetary comparison statements as of and for the year ended March 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bloomfield Township Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of Bloomfield Township Public Library, including the Library's individual governmental funds, the Library as a Whole, and the budgetary comparison statements as of and for the year ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2003.

Plante & Moran, PLLC

April 26, 2004



A worldwide association of independent accounting firms

Bloomfield Township Public Library

Library Management's Discussion and Analysis Fiscal Year April 1, 2003 through March 31, 2004

Using This Annual Financial Report

This annual report consists of two parts:

- Library management's discussion and analysis (MD&A)
- Basic financial statements, audited by Plante & Moran, PLLC

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct questions regarding this report to:

Karen Kotulis-Carter, Library Director
Bloomfield Township Public Library
1099 Lone Pine Road
Bloomfield Hills, MI 48302-2410
(248) 642-5800

Bloomfield Township Public Library

Library Management's Discussion and Analysis (Continued) **Fiscal Year April 1, 2003 through March 31, 2004**

The basic financial statements on pages 9 through 12 include information that presents two different views of the Library using the modified-accrual and full-accrual methods.

The first three columns of the financial statements include information of the Library's General Fund, Improvement and Revolving Fund, and Gift Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a Whole financial statements under the full-accrual method. The full accrual basis focuses on long-term economic resources.

The Library as a Whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a Whole Statement of Net Assets - Full-accrual Basis column and the Library as a Whole Statement of Activities - Full-accrual Basis column provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

As this is the first year of the management's discussion and analysis report, and, consistent with Governmental Accounting Standards Board Statement Number 34, this year's report does not show data comparative with prior years. In future years, the condensed financial information section on page 4 will include this information.

Bloomfield Township Public Library

Library Management's Discussion and Analysis (Continued) Fiscal Year April 1, 2003 through March 31, 2004

Condensed Financial Information

The table below shows key financial information under the full accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities, including general operations, improvements, and gift activity - to give a complete picture.

TABLE 1	March 31, 2004
Assets	
Current assets	\$ 5,259,999
Capital assets	<u>6,175,786</u>
Total assets	11,435,785
Liabilities	
Current liabilities	667,246
Other noncurrent liabilities	<u>207,394</u>
Total liabilities	<u>874,640</u>
Net Assets	
Investment in capital assets	6,175,786
Restricted for gifts	81,310
Unrestricted	<u>4,304,049</u>
Total net assets	<u><u>\$ 10,561,145</u></u>

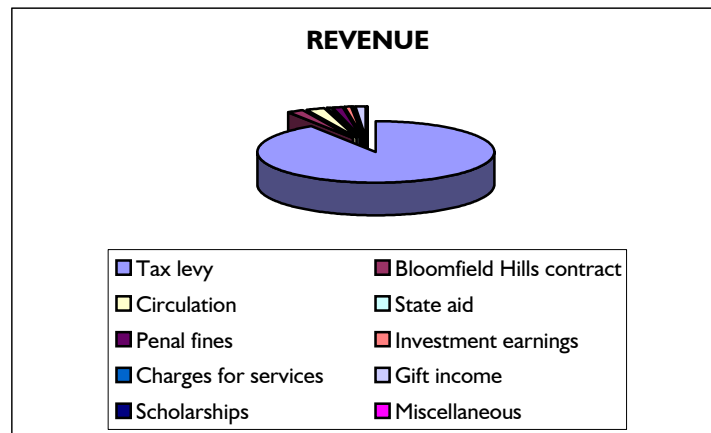
TABLE 2	Year Ended March 31, 2004
Revenue	
Property taxes	\$ 4,895,620
Other	<u>513,517</u>
Total revenue	5,409,137
Expenses	<u>4,251,412</u>
Changes in Net Assets	<u><u>\$ 1,157,725</u></u>

Bloomfield Township Public Library

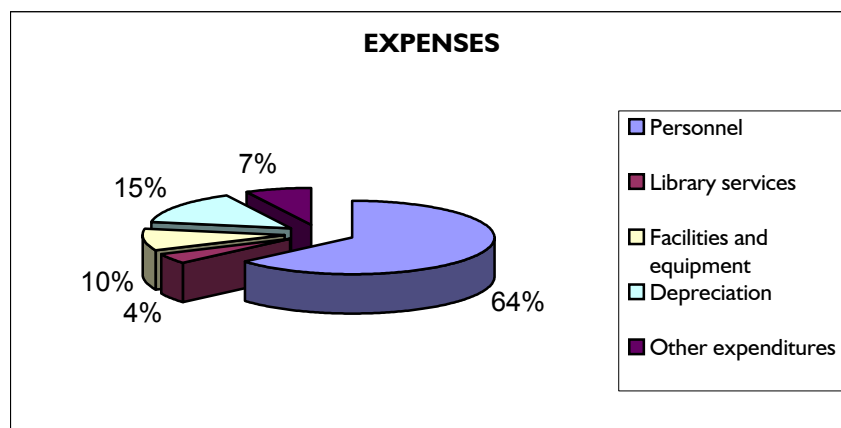
Library Management's Discussion and Analysis (Continued) Fiscal Year April 1, 2003 through March 31, 2004

The Library as a Whole

The Library's net assets increased by \$1,157,725 this year. The primary reason for the increase was the first year of tax revenue from a new .5 mill operating millage increase approved by Bloomfield Township voters in August 2002. The major components of revenue and expenses are described below.



The Library's primary source of revenue (91 percent) is from property taxes, as shown in the chart above, as audited March 31, 2004.



Bloomfield Township Public Library

Library Management's Discussion and Analysis (Continued) Fiscal Year April 1, 2003 through March 31, 2004

Salaries and fringe benefits continue to be a significant expense for the Library as shown in the chart above, as audited March 21, 2004. In 2003-2004, no new positions or fringe benefits were added. The proficiency level salary/wage schedule received a .50 percent increase, although employees whose positions fall between the beginning and end of the range for a single classification may have been eligible to receive larger increases as they achieved new proficiencies. Employees who have reached their peak proficiency level received merit awards that averaged 2 percent. Health insurance, offered only to full-time employees, continued to significantly increase in cost, consistent with the health insurance industry. In addition, an increase of 1.7 percent in the retirement plan cost assigned to the Library for its employees was seen, a likely reflection of decreased investment earnings for the plan.

This year saw the first, albeit modest, increases in materials budgets in three years. Program expenditures still depended on gifts of the Friends of the Library, but equipment, particularly computer equipment, expenditures were included in the General Fund. A substantial transfer to the Improvement and Revolving Fund of excess revenue over expenditures in the General Fund was anticipated due to the late year receipt of the operating millage increase.

The Library's Funds

The budgetary analysis of all three Library funds - General Fund, Improvement and Revolving Fund, and Gift Fund - is included on pages 13-16. Pages 13 and 14 show the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, and fund balance.

During the current year, the Library was able to transfer \$2,296,889 from the General Fund to the Improvement and Revolving Fund as a result of controlled spending where possible and represents significant savings, particularly in office supplies and maintenance and repair supplies, as well as materials. It is most indicative of the timing of receipt of the substantially increased operating millage collected in December 2003 through February 2004; the increased revenue came too late in the year to permit relative spending in the materials budget.

As noted above, the largest use of resources during the 2003-2004 fiscal year was for personnel - salaries and wages. This is typical of service organizations that are open to the public seven days a week, year round.

Pages 15 and 16 show budgetary analysis of the Improvement and Revolving Fund and the Gift Fund. The Improvement and Revolving Fund shows a fund balance of \$2,760,816, an increase of \$995,732. Particular effort was made in 2003-2004 to address fund balance and to assure coverage of the Library's necessary expenditures in advance of receipt of the largest portion of revenue -property taxes, which are received 10 months into the fiscal year.

Bloomfield Township Public Library

Library Management's Discussion and Analysis (Continued) Fiscal Year April 1, 2003 through March 31, 2004

The Gift Fund shows a decreased fund balance, indicative of the greater effort made to expend designated gifts more quickly after receipt. However, while \$83,864 was expended from the Gift Fund, the fund balance at the close of the fiscal year shows \$140,159. Several gifts are held in abeyance awaiting the outcome of the upcoming 2004 bond proposal and their likely use for furnishings and equipment in the renovated and expanded Library, as intended by their donors.

Library's Budgetary Highlights

Over the course of the year, the Library Board of Trustees amended the three funds' budgets to address unplanned needs and events that occurred during the year. The most significant amendments occurred in planned expenditures in the Improvement and Revolving Fund due to delayed RFID purchases, and contributions and donations to the Gift Fund. The General Fund amendments addressed audit cost increases, mid-year approved additions to the program budget, increased water costs, printing costs associated with cancellation of the contract by the City of Bloomfield Hills for Library services, increased health insurance costs, and added unemployment benefit costs.

Significant variances in the General Fund's revenues were due to the unplanned cancellation of the contract by the City of Bloomfield Hills for Library services, a reduction of \$100,000 in November 2003; reduction, again, in state aid; reduction in penal fines due to the cancellation of the City of Bloomfield Hills' contract; and continuing decreases in interest rates. Room rental revenue decreased more than anticipated with the removal of one popular meeting room for the needed expansion of the audiovisual collection. The elimination of video rental fees, which carried out the Library Board service philosophy, was made possible by the approved operating millage increase. Although planned for, it was anticipated at less revenue than actually received. A very successful used equipment sale provided more revenue than anticipated.

Capital Assets and Long-term Debt Activity

At the end of the fiscal year, the Library had \$10,465,724 invested in land, building, and improvements, furniture and equipment, books, and materials, including media. The Library added \$392,068 in new collection items, consisting of new books and various audiovisual materials, including a new collection of DVDs for youths. A total of \$265,368 was spent to replace furniture and equipment, including computer technology, particularly for added shelving for audiovisual materials. A total of \$199,832 was spent on building and site improvements, including expansion of the audiovisual room, the replacement of an obsolete boiler with a more energy-efficient system, reshingling the roof, and seal-coating and stripping the parking lot.

Bloomfield Township Public Library

Library Management's Discussion and Analysis (Continued) **Fiscal Year April 1, 2003 through March 31, 2004**

In accordance with the Library's Fixed Asset Disposal Policy, the items in both the materials collection and furnishings and equipment which were still of some use, but not Library use, were either donated to the Friends of the Library for their monthly and semiannual used book sales or offered to residents of Bloomfield Township first (and other Library users and area libraries second) at the Library's annual used equipment sale. The value of deletions of materials from the collection amounted to \$201,564; the value of removed furnishings and equipment amounted to \$83,775.

The Library's long-term debt activity consists of capped accumulated compensated employee absences (sick leave) to be paid to eligible employees upon retirement (age 55, with eight full years of service).

The Library has no other outstanding debt or bonded indebtedness at this time.

Next Year's Anticipated Budget Factors

As planned, the Library conducted a compensation survey during 2003-2004 to identify the competitiveness of Library wages in the employment marketplace. Some significant variances between the market and the current wages were identified and have been addressed with increases in the 2004-2005 proficiency level schedule and merit scale. In addition, several staffing requests - the result of a cumulative deficit in adequate staffing in some departments and the need for reallocation of human resources in others - are under consideration and will impact the Library's personnel expenditures. Further, a redefinition of the retirement plan earnings to include merit pay in future years will have an impact on the Library's retirement contributions at the end of 2004-2005.

The potential cancellation of the contract for Library services by the City of Bloomfield Hills was anticipated and planned for in the 2004-2005 budget. At this time, re-opening of the negotiations of this contract appears likely, although the outcome is not predictable. Any future agreement with the City of Bloomfield Hills will require a payment of fees more equitable with the per household contribution made by Township residents in their property taxes.

It is rewarding that in 2004-2005, as a result of the 2002 approval of increased operating millage, the Library is able to dramatically increase planned expenditures for materials, particularly books for the adult collection and videos and DVDs for both the adult and youth collections.

Bloomfield Township Public Library

	Individual Library Funds			
	General Fund	Improvement and Revolving Fund	Gift Fund	Total - Modified- accrual Basis
Assets				
Cash and cash equivalents (Note 4)	\$ 4,499,908	\$ 112,540	\$ 141,121	\$ 4,753,569
Investments (Note 4)	-	493,613	-	493,613
Accounts receivable	8,383	-	195	8,578
Other assets	175	1,929	2,135	4,239
Due from General Fund/internal balances	-	2,186,240	192	2,186,432
Capital assets (Note 6)	-	-	-	-
Total assets	<u>\$ 4,508,466</u>	<u>\$ 2,794,322</u>	<u>\$ 143,643</u>	<u>\$ 7,446,431</u>
Liabilities				
Accounts payable	\$ 83,167	\$ 33,506	\$ 3,484	\$ 120,157
Due to Bloomfield Township	411,851	-	-	411,851
Accrued and other liabilities	20,912	-	-	20,912
Compensated absences - Current portion	-	-	-	-
Due to Improvement and Revolving Fund/internal balances	2,186,240	-	-	2,186,240
Due to Gift Fund/internal balances	192	-	-	192
Compensated absences - Net of current portion	-	-	-	-
Total liabilities	2,702,362	33,506	3,484	2,739,352
Fund Balances				
Reserved for restricted gifts	-	-	81,310	81,310
Unreserved	1,806,104	2,760,816	58,849	4,625,769
Total fund balances	1,806,104	2,760,816	140,159	4,707,079
Total liabilities and fund balances	<u>\$ 4,508,466</u>	<u>\$ 2,794,322</u>	<u>\$ 143,643</u>	<u>\$ 7,446,431</u>
Net Assets				
Invested in capital assets				
Restricted for gifts				
Unrestricted				
Total net assets				

Individual Funds Balance Sheets/Statement of Net Assets
March 31, 2004

	Library as a Whole	
GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis	
\$ -	\$ 4,753,569	
-	493,613	
-	8,578	
-	4,239	
(2,186,432)	-	
<u>6,175,786</u>	<u>6,175,786</u>	
3,989,354	11,435,785	
-	120,157	
-	411,851	
-	20,912	
114,326	114,326	
(2,186,240)	-	
(192)	-	
<u>207,394</u>	<u>207,394</u>	
(1,864,712)	874,640	
(81,310)	-	
<u>(4,625,769)</u>	<u>-</u>	
(4,707,079)	-	
6,175,786	6,175,786	
81,310	81,310	
<u>4,304,049</u>	<u>4,304,049</u>	
<u>\$ 10,561,145</u>	<u>\$ 10,561,145</u>	

Bloomfield Township Public Library

	Individual Library Funds			
	General Fund	Improvement and Revolving Fund	Gift Fund	Total - Modified- accrual Basis
Revenue				
Tax levy	\$ 4,895,620	\$ -	\$ -	\$ 4,895,620
Charges to other units - Bloomfield Hills	113,230	-	-	113,230
Circulation revenue	137,666	-	-	137,666
State aid	26,568	-	-	26,568
Penal fines	72,059	-	-	72,059
Investment earnings	23,099	27,649	1,754	52,502
Charges for services	26,103	-	-	26,103
Grant revenue	-	-	6,702	6,702
Gift income	-	-	73,226	73,226
Scholarships	-	-	691	691
Miscellaneous	4,770	-	-	4,770
Total revenue	5,299,115	27,649	82,373	5,409,137
Expenditures				
Personnel	2,660,929	-	1,000	2,661,929
Library services	548,934	-	27,662	576,596
Facilities and equipment	430,974	407,878	41,035	879,887
Other expenditures	228,389	53,928	12,579	294,896
Transfer to community foundations	-	-	1,588	1,588
Depreciation	-	-	-	-
Loss on disposal of assets	-	-	-	-
Total expenditures	3,869,226	461,806	83,864	4,414,896
Excess of Revenue Over (Under) Expenditures	1,429,889	(434,157)	(1,491)	994,241
Other Financing Sources (Uses)				
Operating transfers in	867,000	2,296,889	-	3,163,889
Operating transfers out	(2,296,889)	(867,000)	-	(3,163,889)
Total other financing sources (uses)	(1,429,889)	1,429,889	-	-
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	-	995,732	(1,491)	994,241
Fund Balance/Net Assets - Beginning of year - As restated (Note 10)	1,806,104	1,765,084	141,650	3,712,838
Fund Balance/Net Assets - End of year	\$ 1,806,104	\$ 2,760,816	\$ 140,159	\$ 4,707,079

The Notes to Financial Statements are an
Integral Part of this Statement.

**Individual Funds Statements of Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended March 31, 2004**

GASB No. 34 Adjustments (Note 2)	Library as a Whole Statement of Activities - Full- accrual Basis
\$ -	\$ 4,895,620
-	113,230
-	137,666
-	26,568
-	72,059
-	52,502
-	26,103
-	6,702
-	73,226
-	691
-	4,770
-	5,409,137
41,477	2,703,406
(392,068)	184,528
(465,200)	414,687
-	294,896
-	1,588
632,640	632,640
19,667	19,667
(163,484)	4,251,412
163,484	1,157,725
(3,163,889)	-
3,163,889	-
-	-
163,484	1,157,725
5,690,582	9,403,420
\$ 5,854,066	\$ 10,561,145

Bloomfield Township Public Library

Budgetary Comparison Statement - General Fund Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenues				
Tax levy	\$ 4,880,833	\$ 4,888,387	\$ 4,895,620	\$ 7,233
Penal fines	75,840	72,059	72,059	-
State aid	38,979	26,568	26,568	-
Charges to other units - Bloomfield Hills	230,536	113,230	113,230	-
Fines and fees, photocopy fees, and interlibrary loan fees	101,028	89,100	89,201	101
Book rental fees	24,917	22,880	22,564	(316)
Video rental fees	22,000	32,807	32,807	-
Room rental fees	27,132	19,109	18,870	(239)
Art sale	-	302	302	-
Art rental fees	435	25	25	-
Interest	32,115	21,957	23,099	1,142
Miscellaneous revenue	500	-	-	-
Proceeds from sale of equipment	-	4,770	4,770	-
Transfer in	-	872,670	867,000	(5,670)
Total revenues	5,434,315	6,163,864	6,166,115	2,251
Expenditures				
Salaries and wages	1,987,840	1,987,840	1,928,954	58,886
Social Security	152,070	152,070	149,857	2,213
Employee insurances	374,338	455,334	446,953	8,381
Retirement	112,234	137,197	112,234	24,963
Office/Computer supplies	26,821	26,821	20,858	5,963
Postage	20,384	20,384	9,430	10,954
Repairs/Maintenance supplies	30,000	30,000	19,960	10,040
Professional services	69,625	70,130	60,063	10,067
Computer database services	116,200	122,044	117,694	4,350
Contingency	1,458,531	1,983,777	24,963	1,958,814
Telephone	42,180	42,180	38,568	3,612
Staff development/Travel	27,300	27,300	18,406	8,894
Printing and publishing	36,420	39,590	37,802	1,788
Building insurance	82,018	68,983	68,983	-
Public utilities	149,234	150,734	125,482	25,252
Building maintenance	64,725	64,725	54,672	10,053
Equipment maintenance	22,144	22,144	20,465	1,679
Grounds maintenance	30,000	30,000	26,909	3,091
Computer system maintenance	61,647	61,647	58,911	2,736
Building/Office equipment rental	1,250	1,250	1,014	236
Books	280,726	280,726	266,721	14,005
Processing and supplies	19,000	19,000	18,282	718
Periodicals/Documents/Reference service	93,796	87,952	81,792	6,160

Bloomfield Township Public Library

Budgetary Comparison Statement - General Fund (Continued) Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Expenditures (Continued)				
Vertical files	\$ 1,679	\$ 1,679	\$ 1,585	\$ 94
CD-ROM	7,154	7,154	6,124	1,030
Audio	18,477	18,477	17,713	764
Audio books	31,161	31,161	29,955	1,206
Computer software	1,300	1,300	500	800
Video	36,911	36,911	36,166	745
Dues and memberships	6,010	6,590	4,525	2,065
Programming	7,910	8,534	7,197	1,337
Equipment	62,580	62,580	54,578	8,002
Transfer out	-	105,000	2,296,889	(2,191,889)
Miscellaneous	2,650	2,650	1,910	740
Total expenditures	5,434,315	6,163,864	6,166,115	(2,251)
Excess of Revenue Over Expenditures	-	-	-	-
Fund Balance - Beginning of year	1,806,104	1,806,104	1,806,104	-
Fund Balance - End of year	<u>\$ 1,806,104</u>	<u>\$ 1,806,104</u>	<u>\$ 1,806,104</u>	<u>\$ -</u>

Bloomfield Township Public Library

Budgetary Comparison Statement Improvement and Revolving Fund Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenues				
Interest	\$ 25,934	\$ 27,640	\$ 27,649	\$ 9
Transfers in	1,458,531	2,008,740	2,296,889	288,149
Total revenues	1,484,465	2,036,380	2,324,538	288,158
Expenditures				
Professional services	56,991	17,428	17,428	-
Contingency	2,265,634	732,166	36,500	695,666
Building maintenance	233,000	179,660	179,660	-
Grounds maintenance	15,000	4,711	4,711	-
Computer system maintenance	65,000	1,623	1,623	-
Equipment - General	27,000	64,197	64,196	1
Equipment - Computer	312,250	162,425	157,688	4,737
Transfer out	-	872,670	867,000	5,670
Miscellaneous	66	1,500	-	1,500
Total expenditures	2,974,941	2,036,380	1,328,806	707,574
Excess of Revenues Over (Under) Expenditures	(1,490,476)	-	995,732	995,732
Fund Balance - Beginning of year	1,765,084	1,765,084	1,765,084	-
Fund Balance - End of year	<u>\$ 274,608</u>	<u>\$ 1,765,084</u>	<u>\$ 2,760,816</u>	<u>\$ 995,732</u>

Bloomfield Township Public Library

Budgetary Comparison Statement Gift Fund Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenues				
Restricted gifts	\$ -	\$ 4,432	\$ 4,550	\$ 118
Unrestricted gifts	-	4,625	4,626	1
Friends of the Library	-	64,050	64,050	-
Atkinson Trust	1,000	-	-	-
BTPL Endowment Fund/Amber Trust	375	-	-	-
Myers scholarship	500	691	691	-
Smith challenge grant	-	5,499	6,702	1,203
Interest	2,837	1,750	1,754	4
Total revenues	4,712	81,047	82,373	1,326
Expenditures				
Office supplies	1,691	1,640	1,640	-
Contingency	16,942	-	325	(325)
Staff development/Travel	204	-	-	-
Printing and publishing	6,500	5,941	5,941	-
Building maintenance	300	1,087	1,087	-
Grounds maintenance	6,300	2,108	2,108	-
Computer system maintenance	9,100	7,790	7,790	-
Books - Adult	8,666	8,745	8,654	91
Books - Youth	128	4,107	2,781	1,326
Books - Reference	187	944	564	380
Book processing	2,929	1,023	1,023	-
CD-ROM - Adult	6,000	548	548	-
CD-ROM - Youth	1,136	20	20	-
Audio - Youth	422	-	-	-
Audio books - Adult	375	-	-	-
Videos - Adult	-	104	104	-
Videos - Youth	1,130	2,914	2,914	-
Dues and memberships	-	1,000	1,000	-
Programs - Youth	7,240	7,894	7,558	336
Programs - Adult	2,364	3,513	3,496	17
Programs - Administrative	4,954	782	782	-
Myers scholarship	500	516	516	-
Smith challenge	-	3,589	3,359	230
New equipment	6,005	20,337	20,337	-
Computer equipment	8,536	9,713	9,713	-
Transfer out to Community Foundation	-	1,588	1,588	-
Bank service charges	50	392	16	376
Total expenditures	91,659	86,295	83,864	2,431
Excess of Expenditures Over Revenues	(86,947)	(5,248)	(1,491)	3,757
Fund Balance - Beginning of year	141,651	141,650	141,650	-
Fund Balance - End of year	\$ 54,704	\$ 136,402	\$ 140,159	\$ 3,757

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Bloomfield Township Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full-accrual accounting for the Library as a whole

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

Reporting Entity

The Library, a component unit of the Charter Township of Bloomfield, is governed by an autonomous six-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Improvement and Revolving Fund - The Improvement and Revolving Fund accounts for the accumulation of resources for large capital projects, as well as the expenditures related to these projects.

Gift Fund - The Gift Fund accounts for gifts and donations given to the Library. The majority of these items are restricted for specific purposes by the donor.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments are recorded at fair value as of March 31, 2004, based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Property Taxes - All trade and property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2003 taxable valuation of the Library totaled approximately \$3.2 billion, on which ad valorem taxes levied consisted of 1.5105 mills for the Library's operating purposes. The ad valorem taxes levied raised \$4,896,000 for operations and is recognized in the General Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Furniture and equipment	10 years
Library books and AV materials	3-7 years

Due to Bloomfield Township - Bloomfield Township processes payroll and retirement benefits for the Library. Due to Bloomfield Township represents the required transfer of funds to the Township for payment of the Library's March payroll as well as the Library's retirement contribution for the year, which totaled \$137,197.

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the Statement of Net Assets and Statement of Activities. This difference results primarily from the long-term economic focus of the Statement of Net Assets and Statement of Activities versus the current focus of the Statement of the Individual Governmental Funds' Balance Sheets and Statements of Revenue, Expenditures, and Change in Fund Balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements (Continued)

Total Fund Balance - Modified Accrual Basis \$ 4,707,079

Amounts reported in the Statement of Net Assets are different because:

Capital assets are not financial resources and are not reported in the funds 6,175,786

Compensated absences are included as a liability:

Current portion	\$ (114,326)	
Long-term portion	(207,394)	(321,720)

Total Net Assets - Full Accrual Basis \$ 10,561,145

Net Change in Fund Balances - Modified Accrual Basis \$ 994,241

Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and audiovisual materials	392,068
Capital outlay	465,200
Depreciation	(632,640)

Loss on the disposal of capital assets reported in the Statement of Activities but not in the fund financial statements (19,667)

Increase in the accrual for long-term compensated absences reported as an expenditure in the Statement of Activities but not in the fund financial statements (41,477)

Change in Net Assets - Full Accrual Basis \$ 1,157,725

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 3 - Budget Information

The annual budget is prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted in the revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund, the Gift Fund, and the Improvement and Revolving Fund can be found in the basic financial statements.

Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated five banks for the deposit of Library funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in the following instruments:

- I. In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest are fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 4 - Deposits and Investments (Continued)

2. In certificates of deposit, savings accounts, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union meets all criteria as depository of public funds contained in state law.

The breakdown of deposits for the Library is as follows:

	Balance Sheet Category		
	Cash and Cash		
	Equivalents	Investments	Total
Bank deposits:			
Checking and savings accounts	\$ 154,413	\$ -	\$ 154,413
Certificates of deposit	-	493,613	493,613
Money market accounts	4,599,156	-	4,599,156
Total	<u>\$ 4,753,569</u>	<u>\$ 493,613</u>	<u>\$ 5,247,182</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$5,341,393. Of that amount, approximately \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 5 - Assets Held at Community Foundation

There are four endowment funds that are administered by the Community Foundation for Southeastern Michigan (CFSEM) for the benefit of the Library. The CFSEM is a public charity that is funded through donations by a large number of contributors. Although the Library does not control the funds at the CFSEM, by agreement, the purpose of the funds is to provide support and furtherance of specific programs and activities of the Bloomfield Township Public Library. Accordingly, the Library has not recorded these funds in this financial report. Revenue is recorded when distributions are received from the CFSEM.

Two of the funds, the Bloomfield Township Public Library Endowment Fund and the Yvonne Y. Atkinson Fund, were established by the Library.

Two additional endowment funds have named Bloomfield Township Public Library as the recipient. These funds are the Lawrence Smith and Isabel Francis Smith Challenge Grant Fund and the Jeanette P. Myers Memorial Scholarship Fund.

A summary of changes in assets held at CFSEM is as follows:

	Bloomfield Township Public Library Endowment Fund	Yvonne Y. Atkinson Fund	Lawrence Smith and Isabel Francis Smith Challenge Grant Fund	Jeanette P. Myers Memorial Scholarship Fund	Total
Balance - April 1, 2003	\$ 14,292	\$ 17,623	\$ 14,064	\$ 9,331	\$ 55,310
Contributions	250	-	2,774	175	3,199
Distributions	-	-	-	(516)	(516)
Investment earnings	4,421	5,562	3,997	2,837	16,817
Balance - March 31, 2004	<u>\$ 18,963</u>	<u>\$ 23,185</u>	<u>\$ 20,835</u>	<u>\$ 11,827</u>	<u>\$ 74,810</u>

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 6 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Capital assets not being depreciated:				
Land	\$ 131,015	\$ -	\$ -	\$ 131,015
Needs assessments/consulting	165,244	-	-	165,244
Subtotal	296,259	-	-	296,259
Capital assets being depreciated:				
Building	5,229,060	199,832	-	5,428,892
Furniture and equipment	1,834,939	265,368	(83,775)	2,016,532
Library books and audiovisual materials	2,533,537	392,068	(201,564)	2,724,041
Subtotal	9,597,536	857,268	(285,339)	10,169,465
Less accumulated depreciation	(3,922,970)	(632,640)	265,672	(4,289,938)
Net capital assets being depreciated	5,674,566	224,628	(19,667)	5,879,527
Net capital assets	<u>\$ 5,970,825</u>	<u>\$ 224,628</u>	<u>\$ (19,667)</u>	<u>\$ 6,175,786</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$632,640 for the year ended March 31, 2004.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library participates with Bloomfield Township in its risk management program to cover these risks.

Note 8 - Pension Plan

Plan Description - Qualified, full-time employees of the Bloomfield Township Public Library are covered by the Township of Bloomfield Retirement Income Plan (the "Plan"), which is a cost-sharing single employer defined benefit pension plan covering all the governmental units of the Township of Bloomfield (the "Township"). The Plan provides retirement benefits for employees attaining age 50 with full vesting. The Plan issues a publicly available report that is included in the general purpose financial statements of the Township of Bloomfield. That report may be obtained by writing to Bloomfield Township, 4200 Telegraph Road, Bloomfield Hills, Michigan 48302.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 8 - Pension Plan (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by a resolution of the Library's Board of Directors and requires a contribution from the employees of 5 percent of gross wages. The Township is required to contribute at actuarially required rates; the current rate is 24.1 percent of covered payroll. The Township's contributions to the pension plan for the years ended March 31, 2003, 2002, and 2001 were \$2,577,674, \$2,271,559, and \$3,592,589, respectively, and were equal to the actuarially required contributions for each year.

Note 9 - Postemployment Benefits

Qualified, retired employees of the Bloomfield Township Public Library are also provided health and life insurance benefits through the Township of Bloomfield. The Township finances the plan on a pay-as-you-go basis. There are 10 retired Library employees included in the plan, which amounted to \$55,375 of expenditures by the Library during the year ended March 31, 2004.

Note 10 - Accounting and Reporting Change

GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The Library has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for the Library as a whole.
- Capital assets in the Statement of Net Assets includes \$6,175,786 that would previously have been reported in the General Fixed Assets Account Group.
- The full accrual financial statements for the Library as a whole include compensated absences totaling \$321,720 previously reported in the General Long-term Debt Account Group.

Bloomfield Township Public Library

Notes to Financial Statements March 31, 2004

Note 10 - Accounting and Reporting Change (Continued)

Interpretation 6

Due to GASB No. 16, Interpretation 6, *Adjustment of Compensated Absences*, the General Fund fund balance as of March 31, 2003 has been restated as follows:

General Fund fund balance - March 31, 2003 - As previously reported	\$ 1,691,959
GASB No. 16, Interpretation 6 - Adjustment of compensated absences in the General Fund, reclassified as a long-term liability	<u>114,145</u>
General Fund fund balance - March 31, 2003 - As restated	<u>\$ 1,806,104</u>

Note 11 - Contingent Liability - Disputed Property Taxes

The Library has collected approximately \$25,000 in taxes, which are now being disputed by various property owners. The majority of these disputed taxes relate to personal property taxes. If the various property owners are successful in their dispute, the Library will have to refund the disputed taxes.

April 26, 2004

Board of Trustees
Bloomfield Township Public Library
1099 Lone Pine Road
Bloomfield Hills, MI 48302-2410

We have recently completed our audit of the financial statements of Bloomfield Township Public Library ("Library") for the year ended March 31, 2004. We would like to thank the management and staff for their assistance throughout our audit. In addition to our audit report, we offer the following comments and recommendations.

New Financial Statement Format

During the current year, the Library, along with many other government units in Michigan, was required to implement a new accounting pronouncement that has changed the format and content of your financial statements. The information that was previously provided in your financial statements has been retained in the new financial statement format. In addition, the following major items have been added:

- *Management Discussion and Analysis:* Management is now required to give an overview of the Library's overall financial position and results of operations.
- *Statement of Net Assets and Statement of Activities:* These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Library from a longer term perspective (i.e. are today's users of the Library paying the full cost of today's services?). These statements show capital and infrastructure assets, as well as long term liabilities such as sick and vacation pay as part of the Library's financial picture.
- *Budget Comparison:* A financial statement reader will now be able to view not only the actual revenue and expenditures of the Library as compared to the amended budget, but also as compared to the original budget.

While getting used to the new format may take a while, the Management's Discussion and Analysis section of the new reporting format, as mentioned above, provides an overview of the Library's finances, as well as major projects worked on throughout the year.

Accumulating the information necessary for the new financial statement format has meant additional work for the Library's accounting department. The Library's staff has done an excellent job of preparing the necessary schedules, as well as assisting and cooperating with the audit work being done on those schedules.

We would be happy to discuss any questions you may have about the new statements and how to best interpret the information provided.

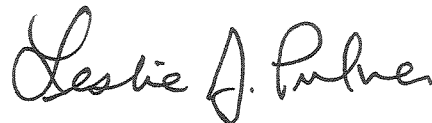
PERSONAL PROPERTY TAXES

The Library's property tax revenue includes personal property taxes paid by utilities located within your community. The amount of personal property taxes paid by the utilities is based on personal property tax table. Several years ago, the State Tax Commission approved new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that the use of the new utility tables result in approximately a 30% revenue loss on those properties. Bloomfield Township, like many other communities, has elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue was the subject of lawsuits brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. To date, the new utility personal property tax tables implemented by the State Tax Commission have been upheld. The lawsuits are currently under appeal. Depending on the outcome of the lawsuits, the Library may owe refunds of previously collected taxes. Based on our discussions with the Township's assessor, the potential refunds approximate \$20,000 to \$25,000 for the taxes levied from 2000 through 2002. Additionally, if the new property tax tables are upheld, this will result in a lower level of revenue in future years. The Library should take this into consideration when preparing future budgets.

We would like to thank you for the opportunity to serve you. If any questions arise on the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

Very truly yours,

PLANTE & MORAN, PLLC



Leslie J. Pulver



Christopher M. Weber